

Missouri WIC Program
Funding Analysis
Final Report

Submitted To:

The Missouri Department of
Health and Senior Services

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By
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I. INTRODUCTION AND EXECUTIVE SUMMARY

I.1. INTRODUCTION

This document is Deliverable Number 14, the final report for Contract Number C302059001 between Burger, Carroll & Associates, Inc. (BCA) and the Missouri Department of Health and Senior Services WIC Program. This contract is in response to RFP No. B3Z02059, issued by the Missouri Office of Administration for the purpose of conducting an analysis of WIC funding in Missouri.

This project was conducted by a team of BCA principles and staff, and two subcontractors. The core project team included:

Julie Carroll, Dr. P.H., President – Contract Executive

Dennis Bach, M.P.A., Vice-President – Project Manager

Kathy Hillock and Debra Brady – Project Analysts

This team was assisted in the conduct of Local WIC Contractor site visits by several other BCA staff including Dave Mikelson, Doug Burger, Maria Romero, and Lyn VanRaden. Two Missouri-based subcontractors assisted BCA on this project, Charles Buchanan, CPA, PC, and Sinclair Solutions.

This project was conducted between the months of April and July 2002. BCA would like to acknowledge the assistance and contributions of Missouri State WIC staff in the Department of Health and Senior Services offices in Jefferson City. In particular, Victoria Fehrmann Warren, Bureau Chief for Nutrition Services and WIC, and Diana Love, Associate Bureau Chief and project manager, provided extensive assistance by answering numerous questions, providing reports, electronic files, and other resource materials, and by reviewing draft work products throughout the project.

One of the largest tasks within this project was conducting site visits to thirty Local WIC Contractor administrative offices and an equal number of clinics. This task required substantial coordination between BCA and Local WIC Contractor staff to develop a workable schedule; hours of Local WIC Contractor staff time (by both WIC staff and Local Contractor administrators) for interviews; and the collection and copying of substantial amounts of documentation, all within a very compressed period of time. Without exception, the Local WIC Contractor staff were cooperative, helpful, and insightful. The project could not have been completed without their assistance and their positive attitude towards the project. It is a reflection of the historic dedication of WIC staff to going “above and beyond” to achieve their mission.

I.2. ALTERNATIVE FUNDS ALLOCATION METHODOLOGIES

One of the primary requirements of this project was to develop a minimum of three alternative funds allocation methodologies for use with Local Contractors. For purposes of comparison,

Section II.2 describes the current funds allocation methodologies. Four alternatives (I-IV) are summarized below, and explained in further detail in Section V.7, V.8, V.9 and V.10 of the report, respectively. These sections provide the details, rationale, costs, benefits, and limitations of each approach. Although we believe any of the four alternatives could work well for Missouri, we hesitate to describe any single one of them as BCA's recommendation. These alternatives should first be presented to and discussed with the Local Contractors that are responsible for local program administration. The Missouri Department of Health and Senior Services may find it useful to consider their input before deciding which of these alternate strategies to implement. The Department may also decide to make minor modifications to any of these strategies before implementing it based on this input.

I.2.1. Alternative One

The first alternative is based on providing an administrative grant per participant. This is the funds allocation methodology most commonly used in other states and in the national funding formula. The most common variable used within this approach is based on the concept that there are economies of scale in the operation of a Local WIC Contractor. It presumes that larger Local Contractors can distribute their overhead cost over more participants, possibly even more programs, and thus the administrative cost per person should be lower.

The first alternative proposal follows this approach. Missouri would first determine the amount of funds available for Local Contractor contracts and then calculate the average administrative grant per participant using the total caseload to be allocated. Next it would rank all of the Local Contractors by their assigned, authorized caseload, from largest to smallest. Local Contractors would then be divided into five groups or "bands." The amount of administrative funds per participant for each band would be adjusted up or down from the statewide average, with the highest amount in the band with the smallest Contractors, and the lowest amount in the band with the largest Local Contractors. The base administrative grant for each Local WIC Contractor would equal the rate for its band times the authorized caseload. The state would also continue to provide special project grants in addition to the base grant level. As described in Section V.1.1 of the report, these special project grants would be designed as incentives to promote improved performance.

I.2.2. Alternative Two

The second alternative is also based on a grant per participant concept, but is a more elaborate methodology which attempts to take into account more of the variables that affect cost.

The first step in this approach is to define the base rate, which is the average administrative grant per person available under the current year's funding. Factors are identified that affect cost, such as size of authorized caseload, salary differentials, number of clinic sites, ratio of certifications to participation, and travel requirements. For each of these individual factors, all Contractors are ranked, from highest to lowest (or largest to smallest). Contractors that rank above the statewide mean on a factor receive a positive adjustment in the base rate; Contractors below the statewide mean receive a negative adjustment for that factor. Any particular Local WIC Contractor may receive both positive and negative adjustments on various factors. For each Local WIC

Contractor, the final adjusted base rate is multiplied times the authorized caseload to determine the contract amount.

I.2.3. Alternative Three

Alternative three is a hybrid of the first two. It uses the same bands as the first two alternatives to account for the economies of scale available to larger agencies. It also uses one, and only one, of the adjustment factors found in alternative two, a salary differential. Personnel costs typically account for eighty to ninety percent of the total cost of local operations. Regional differences in the cost of hiring professional staff have a significant impact on Contractors' budgets and are therefore recognized in the funding methodology. Of all the factors identified for alternative two, salary differentials are the most defensible. The other factors in alternative two have some financial impact as well. However, these impacts are not nearly as significant as differences in personnel cost, and they are more open to debate. Alternative three avoids potentially endless second-guessing about the relative effect of the other factors, how much weight they should have in the methodology, and whether they are the only factors that should be included.

I.2.4. Alternative Four

Alternative four is based on the recognition that funding formulas are unable to take into account special circumstances of a Local WIC Contractor. It uses a base grant per participant, but relies equally on the professional judgment of state agency review staff. Final contract amounts are negotiated between state and local staff.

In this alternative, Missouri would first determine the amount available for Local Contractors. It would then calculate a statewide base administrative grant per participant that would use ninety percent of this amount. This grant per participant is then multiplied times each WIC Contractor's assigned, authorized caseload to provide the target funding level. These target levels are provided to Contractors. Contractors may submit a budget for an amount above or below the target; however, any increases above the benchmark must be justified in the Local WIC Contractor Plan. The remaining ten percent of the available Local Contractor funds are held in reserve to cover requests above the target levels. If the state agency review staff do not agree with the justifications, or if insufficient funds are available to honor all increases, state and local staff will negotiate a final budget amount.

It is assumed that most Contractors would request more, rather than less, funds, and that the total requested would equal more than the total of the target levels. Contractors could request funds for special projects or initiatives, but would first have to show that all basic program requirements are met.

I.2.5. Options and Other Recommendations

Section V of this report provides additional options within each of these alternatives, along with recommendations that cross all of the alternatives. These recommendations have to do with enhanced processes for budgeting funds to provide the maximum amount possible to Local Contractors, continuing to pay for some activities outside of the core funding methodology, and

the state agency continuing to purchase some items directly and providing them to Local Contractors to use.

I.3. THE NATURE OF WIC FUNDS ALLOCATION

Any one of the alternatives described above would provide an acceptable method for allocating funds to Local WIC Contractors in Missouri. It is difficult, if not impossible, to state unequivocally that any one alternative is better than the others. A key step in implementing any new funding methodology is to provide an opportunity for the Contractors who will be affected by it to have input into the planning process before the Department makes its decision. Contractors are more likely to accept the equitableness of the methodology if they have some involvement in the decision making process. We recommend that Missouri WIC provide a forum for interested Local WIC Contractor and administrative staff to review the findings from this report and meet with the State office over the next several months to share their ideas regarding the revised funds allocation methodology. This invitation should be extended to the current group of Contractors, but as part of the Department's strategy for developing a new procurement process, it may also want to invite prospective new Local Contractors to participate in this process.

Nationally, the WIC Program has been fortunate in that appropriation levels have historically tended to increase over the years. However, administrative requirements have increased along with caseloads, so that it sometimes appears that administrative funding levels have not kept up with demands. State WIC Programs also work with a finite amount of funding each year. Consequently, when a state decides to change its process for allocating funds to Local Contractors, increases to some Contractors typically come at the expense of other Contractors.

The Missouri WIC Program appears to be in a relatively good position to implement changes in its funds allocation methodology. The analysis described in this report shows that by ensuring that all funds are properly allocated between the state and Local Contractors, Missouri should be able to provide additional funds to many, if not most Local Contractors, and minimize the reductions to other Contractors, even while changing the allocation process. Budgeting and allocating federal WIC funds is a difficult task for state agencies, as the initial funding levels are often not known until after the start of the federal fiscal year, and the funding levels are subject to change during the year as a result of reallocations. It is important for any new funding methodology to have a mechanism to allocate additional funds that may become available mid-year to Local Contractors to ensure optimum grant utilization. By efficiently budgeting all available funds, Missouri can provide increases to some Contractors through a new allocation process without having to reduce contract amounts as much for other Contractors.

I.4. PROCUREMENT OF LOCAL WIC CONTRACTORS IN MISSOURI

Missouri currently has 119 independent Local WIC Contractors, the most of any state WIC Program in the country. This is because, with a few exceptions, there is a separate Contractor in each county. In addition, some urban counties have multiple Contractors. As part of this study, BCA examined the feasibility of consolidating these contracts, so that Missouri would have fewer, larger Contractors covering larger geographic service areas.

BCA has concluded that it is possible for Missouri to begin moving in this direction; however, a wholesale shift to regional contracts over the next two years will require both careful planning and an immediate start. For reasons explained in this report, adopting this approach on a large scale would probably require identifying a number of alternate Local Contractors as well as changing the relationship with some current contractors. While there are some obvious possibilities, such as the networks of Federally Qualified Health Centers (FQHCs) and Community Action Agencies (CAAs), much work needs to be done to identify the potential level of interest on their part and to “market” the idea of applying for WIC contracts. The Department needs to define potential regional service areas and ensure that there would be enough Contractors to ensure statewide coverage.

One possible initial step in this process is to issue a Request for Information (RFI) prior to developing a Request for Proposals (RFP). An RFI is a vehicle for obtaining needed information about the potential pool of Contractors without committing the Department to a particular course of action.

This report discusses funds allocation methodologies and procurement processes separately. However, it should be understood that the two issues are intertwined. For example, in recognition of the fact that smaller agencies do not operate as cost effectively as larger agencies, all of the revised allocation methodologies would shift a greater proportion of funds to smaller agencies. The Department desires to minimize the shift of resources from more efficient to less efficient agencies by moving to larger, regional agencies. Some of the allocation methodologies use factors that are affected by the size and geographic service area of the Contractors. Some methodologies are easier to implement with a stable base of Contractors than with a large unknown group of Contractors. These issues are discussed in Section V, which explains the proposed alternatives in detail.